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SIPDIS

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SUBJECT: PRESIDENT MUTHARIKA'S FIRST YEAR IN POWER

REF: A. LILONGWE 438

- 1B. LILONGWE 341
- 1C. LILONGWE 333
- 1D. 04 LILONGWE 820
- 1E. LILONGWE 338

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¶1. SUMMARY: Bingu wa Mutharika's first year as President of Malawi has seen ups and downs. The questionable nature of the May 2004 presidential election created an unsettled political atmosphere that would have tested any president. His inaugural speech generated hope with its emphasis on the creation of stable macroeconomic conditions and a corruption-free nation. Mutharika's resignation from the United Democratic Front (UDF) served as a declaration of political independence from his predecessor, Dr. Bakili Muluzi, who handpicked Mutharika in an effort to continue to hold power. However, Mutharika's formation of the Democratic Progressive Party (DPP) has resulted in a loss of public support and sympathy, largely due to the general public's view that the DPP is not dramatically different from the UDF. END SUMMARY.

AN ECONOMIC PROMISE

¶2. Mutharika's inaugural speech generated hope with its emphasis on the creation of stable macroeconomic conditions and a corruption free nation. Unlike his predecessor, Mutharika believes that poverty can be reduced through significant economic growth and that significant economic growth can only occur in a stable macroeconomic environment including with low interest rates, stable exchange rates, and low single digit inflation. To achieve these goals the President promised to resume an economic program with the IMF to access greater resources and reduce domestic debt, which would lead to increased private sector savings and investment and economic growth. Mutharika has, to some extent, lived up to this promise. The budget deficit is less than seven percent of Gross Domestic Product; his predecessor ran a budget deficit of more than fourteen percent. Government has achieved almost all of its expenditure targets for the past year. Most donors that provide budgetary support have resumed some aid and the IMF has issued satisfactory reports for all its monitoring visits in the past year. Prospects for a new funded IMF program are generally considered to be good.

THE POLITICS OF PRIVATIZATION

¶3. Under Mutharika, government presence in the economy continues to be relatively high and the administration has shown little urgency to privatize. The privatization program was temporarily suspended for several months last year to take stock of past performance and to vet pending deals for signs of corruption. Government has also recently shown worrying signs of protecting domestic industries through import restrictions (milk imports from Zimbabwe and beverages from Zambia) based on weak justification. The most notable development for the private sector, however, has been the reduction of interest rates from 40 percent to 25 percent last year--a good move, but small relief to private-sector borrowers.

ANTI-CORRUPTION: SLOWLY AND UNSURELY

¶4. President Mutharika's most watched promise from his inaugural speech was "zero tolerance against corruption". Endemic official corruption under his predecessor was part of the reason the UDF did not achieve a clean sweep in the 2004 elections. The arrests of former Finance Minister Friday Jumbe and former senior UDF official Humphrey Mvula on corruption charges were well received by the general public as a break with the corrupt Muluzi administration of the past ten years. Mutharika has recently fired his sitting Minister of Education (who has strong ties to Muluzi) after he was arrested for corruption (reftel A). However, the lack of high-level convictions has created doubt among Malawians about Mutharika's seriousness in prosecuting corruption. In addition, the accused and their supporters have been able,

with some success, to portray their arrests as politically motivated. However, there has been one significant corruption conviction. Blantyre City Mayor John Chikakwiya was sentenced to more than three years of hard labor for stealing approximately \$4,000 of private donations meant for a road rehabilitation project (reftel B). Chikakwiya's conviction is significant as he is the Governor of Muluzi's UDF party in its heartland, the Southern region - a position that would previously have made him untouchable.

A PARTY IS BORN

15. Concurrent with his "zero tolerance for corruption" policy, President Mutharika's most obvious political challenge was to declare his independence from his predecessor, Dr. Bakili Muluzi (reftel C). Prior to Mutharika's departure from the UDF, it was common knowledge that Muluzi had handpicked Mutharika so that he could continue to hold the power behind the "throne". Mutharika's quest for political autonomy led to a divide within the UDF - one faction backed the party's National Chairman (Muluzi) while the other faction backed President Mutharika. The main cause of the divide was Mutharika's anti-corruption campaign, which netted a few of Muluzi's close associates. The divide became complete when Mutharika left the UDF in early February 2005.

16. President Mutharika's abandonment of the UDF was probably his most popular act during his first year in office. However, Mutharika's move to form his own party, the Democratic Progressive Party (DPP), has resulted in a loss of public support and sympathy, largely attributed to the make up of the new party. With a considerable number of the DPP's leadership having originally come from the UDF, the party is not viewed as so dramatically different from the UDF. Another image problem for the DPP has been the fact that party membership consists primarily of political opportunists who have joined the party in a quest for political ingratiation. A good example is the party's Publicity Secretary, Dr. Hetherwick Ntaba, who is also Malawi's Health Minister. Since January 2004, Ntaba resigned from three different political parties before joining the DPP.

PUBLIC RELATIONS PROBLEMS

17. Mutharika's media honeymoon has clearly ended. Contrary to initial statements,(reftel D), media freedoms under Mutharika have not dramatically increased; rather, it appears media freedoms have experienced something of a backslide. Following the arrest of three journalists for reports that allegedly caused embarrassment to the president (reftel E), Mutharika remained unapologetic and apparently unaware of the impact this action may have had on the public and on his political ambitions. While some media organizations view the Mutharika Administration as being cut from the Muluzi mold, reporting on Mutharika, his administration, and the DPP remains largely balanced. The same cannot be said for TV Malawi and Malawi Broadcasting Corporation, Malawi's publicly owned television and radio stations. These have largely followed the same traditions established under Banda and Muluzi, and function essentially as the mouthpiece of the Administration and the DPP. Post will provide a media environment update septel.

COMMENT

18. President Mutharika's performance during his first year has been mixed. Since Mutharika took office, civil service and other government officials have been put on notice that they will be held to higher standards of professionalism and accountability. The president has mandated monthly reports from his cabinet ministers; government employees are expected to report to work on time and be productive; buildings, roads, and public institutions are receiving long-needed improvements. These changes are not insignificant and have sent a clear message that a government job comes with responsibilities, not just perks.

19. What Mutharika lacks in the ability to form a cohesive political strategy he makes up for in sheer courage in his departure from the hitherto omnipotent UDF. Mutharika's genuine need for a political base led him to form the DPP, which has in turn, resulted in a loss of focus on his inaugural agenda. However, the most significant problem with the formation of the DPP is in its timing. It appears that the gargantuan task of engineering a new party, combined with the necessity of coddling potential opponents, may have hampered Mutharika's ability to produce more tangible results on the economy and corruption.

110. On corruption, the conviction of the former Mayor of Blantyre and recent arrest of a cabinet minister have breathed new life into the anticorruption campaign, which was in danger of atrophying due to lack of court convictions. Economically, Mutharika has done well on managing public expenditure, but

the business sector has begun to complain that he is too slow
in implementing needed microeconomic reforms. The economic
outlook remains unpredictable and will depend on his ability
to convince a touchy political class to support unpopular and
painful economic reform.

GILMOUR